

## **Direct, Off-farm Wholesale Marketing**

*Nesson Valley Gardens / Thunderbird Ranch Enterprises, Williston, ND*

Case study by

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The past decades have witnessed increased volatility and dramatic changes within agriculture. During the 19<sup>th</sup> century, direct marketing, such as farmers' markets, was a norm. However, that changed with the improvements in refrigeration and transportation systems. Today with the continued instability in the farming industry, many producers have left agriculture. Others sought new ways to enhance their incomes while remaining on the farm. A revival of farmers' markets has been occurring as consumers look for fresh, locally grown produce. Consumers have shown a desire to support small farms and to keep food dollars in their region (Abel, et al., 1999).

Farmer's markets are one way in which farmers can directly market their products to the people while generating local revenues. Another avenue being explored is direct wholesale to local grocery stores. The concept of growers selling to stores instead of retail can be a viable option for some producers. A study in New Jersey that involved state-sponsored marketing of New Jersey produce showed high consumer awareness and acceptance of locally grown produce. Consumers believed that differences in freshness and quality existed between "Jersey Fresh" produce and other fresh fruits and vegetables (Govindasamy, et al., 1996).

This case study examines the Nesson Valley Gardens. This company is unique in that it progressed from local sales in a farmers' markets to sales in regional grocery stores. Additionally, the company expanded its enterprises by developing a second business, Thunderbird Ranch Enterprises, that sells original recipe dry mixes. This makes their case an interesting and valuable one. Information on these businesses was collected through interviews with two of the three partners, Monica Hartsoch and Mary Schmidt, in January 2001. They provided photographs of their gardens, irrigation systems, and samples of their products. They also provided product lists, order forms, a recipe book, a summary of their grant, and news paper clippings (see Appendix).

### **Organization of the Nesson Valley Gardens**

The Nesson Valley Gardens (NVG) partnership began in Summer 1997 with a meeting of five neighborhood women who lived on farms in the Williston, ND area. They decided to grow and market garden produce. They intended to use corners of their pivot irrigated fields to increase the land's profitability.

Crops were rotated annually among the NVG members' fields. The group planted their produce in Monica Hartsoch's field during the first year. The second year, two of the members dropped out because of time conflicts. The remaining three members – Mary Schmidt, Monica Hartsoch, and Ara Hartsoch – continued to grow produce, but split the vegetable fields between Mary's and Monica's fields. The third year, they planted all of the vegetables on one of Mary's fields, and in their fourth year, they returned to one of Monica's fields. The largest field they planted was two and one-half acres. In 2000, the group planted an estimated 9,000 linear feet of

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garden spread between three zones. They did not plant corn or potatoes in 2000, but rather purchased those products from another local farmer.

Initially, the members grew many varieties of vegetables, which included common vegetables like cucumbers and squash. In addition, they grew vegetables that were less common for local consumers, such as artichokes, eggplant, yellow carrots, and yellow beans. Each year becomes a learning experience as the members try new varieties and systems. They have learned that the type of field in which they grow a particular vegetable affects what they can grow, how they grow it, and what types of chemicals they use. They have not used organic methods because they are already familiar with chemical systems, and because they are concerned with losing crops to pest infestation or disease.

### **Start-up Costs**

The initial start-up costs for the garden mainly involved supplies and equipment that the partners already had available. They did not need to take out loans. The land, water, machinery, and chemicals and fertilizers also were available. One member had a refrigerator truck from a previous garden experiment in which to store the produce. And she owned the initial trickle irrigation strips.

Today, the gardens are run like other businesses. The partners manage the gardens as a separately run business. They pay rent to their spouses for use of the land and machinery. They purchase chemicals and fertilizer from their spouses' farms. They use extension pricing to hire or rent equipment and machinery work. Two local high school boys were hired to help with the heavy work, and more students were hired during harvest to carry loads and clean the fields. Monica believes that about 85 percent of the work was done by the three partners. They estimated that they worked a total of 1,400 hours in the garden.

Each year the partners have operated their garden differently, which have resulted in different cost each year. In 2000 they trenched 700 feet of pipe for their irrigation system. Mary said, "If we would have done that the first year, there would have been a significant start-up costs." Part of the monetary and time costs of laying the drip tape for their irrigation system was offset by being able to use a bed raiser from the NDSU Research Center in Williston. This machine raised the bed, laid the tape, and put plastic on all at once. Then they burned holes in the plastic to plant the seeds or plants.

Recently, the gardens received an Agricultural Product Utilization Commission grant. The \$5,000 grant was used for farm diversification (see Appendix).

### **Irrigation**

The gardens use a trickle irrigation system. They use an overhead irrigation system the first year, which had the advantage of planting rows closer together. The second year they used overhead irrigation at the garden on the Hartsoch farm and trickle irrigation at the Schmidt farm. However, they experienced problems with cabbage splitting and disease with overhead irrigation. To alleviate this problem, they moved to trickle irrigation.

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Dr. Aung Hla, Extension Area Irrigation Specialist from the NDSU Garrison Division, helped them with their irrigation systems. He helped design the system specifically for their soil and plant conditions.

### **The Farmers' Market**

In the first year of the garden, the partners decided that they would try to sell their produce themselves. They began a farmers' market each Saturday afternoon, which attracted customers from as far as 75 miles. The market was open about 10 weeks, and concluded with a large autumn sale at the end of the season.

During the seasons that the partners were growing for their farmers' market, several ideas were used to attract customers. 1) Location. They rented an area within a recreational vehicle park, which was less than one mile from their garden location. The area had tables, shelves, bathrooms, playground, and a good atmosphere for their market. 2) Variety. The partners produced many different varieties of vegetables. They promoted these items each week by providing samples in prepared dishes for customers to taste and to understand how each vegetable could be used. 3) Quality. The gardens were well tended and the produce was very clean. They did all of the washing and packing themselves. 4) Atmosphere. Customers came to their market for quality produce and to see their presentations. The partners spend much effort displaying the food and creating a fun atmosphere for their customers.

### **Promotion and Advertising**

In the early years of the business, the partners spent time and money in advertising. They advertised their farmers' market in the local newspaper and distributed their own sales flyers.

Besides these forms of promotion, they received many word-of-mouth recommendations from the community. Their clientele grew as their reputation grew. During this time word spread to Economart, a privately owned grocery store in Williston. This prompted a visit by store owner, Mike Kraft, to the gardens.

### **Switching to Direct Wholesale**

During their third season, Mike Kraft of Economart approached the three partners and asked if he could contract with them to grow vegetables for his store in Williston. He offered them a spot in his produce department with the Nesson Valley Gardens label and the store would promote the products for them. The store's newspaper advertisements included a special on one of the Nesson Valley products each week.

The other grocery store in Williston, Albertson's, a large chain in western North Dakota, also approached the gardens, also wanting to contract produce from them. But, Mary, Monica and Ara decided that they wanted to prove themselves capable of producing quality and quantity vegetables before they branched out to other stores. Their decision was to work only with Economart, and turned Albertson's down.

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The partners next negotiated on the specific produce they would grow for the store. They decided to provide tomatoes, green peppers, onions, winter squash, summer squash, and pumpkins, which they planted the following spring. Additionally, they planted enough for their own home use – what Monica called insurance.

Prices for the vegetables were negotiated between Economart and the partners upon delivery. The partners worked on a “no-promise” basis because they needed to prove what they were capable of delivering. When they brought in a load of produce, Mary would ask for a general idea of what they would be paid. She says that way they did better than they expected on several products.

When it came time to make their delivery, they tried to bring in twice the amount of produce than what they initially intended. Economart eventually requested other produce that was not part of their contract, such as carrots, cucumbers, eggplant, and beets. The partners produced 800 pounds of onions, 600 pounds of squash for an “endcap” at the store, and 1,700 pounds of pumpkins.

Monica said that it was a hard decision to close the farmers’ market because they had many loyal customers who would be disappointed. However, they decided that they could not ignore the growth potential offered by selling to a wholesale market. Proving they could grow the required quantity and quality of produce was one of the big goals for the business.

### **Principles and Goals**

Mary and Monica had several goals for their businesses. Their first and initial goal for the garden was to find a way to make the corner pivots (the corner sections of an irrigation pivot that do not get maximum use) more profitable. Additionally, they were trying to find other crops, such as onions and squash, that could be used in the field’s rotation that could work in the rotation with sugar beets or potatoes.

Second, they want to show the variability, quality, and quantity that can be achieved using these pivots. Monica says that we “know that we cannot make it on wheat alone, and that we have to find crop rotation possibilities because we irrigate.” The partners wanted to prove that there were other growing possibilities in North Dakota, and that those possibilities can be profitable. They wanted to show other farmers and agricultural people that other crops can be grown in North Dakota that are large scale, high quality, and profitable.

Third, they want to think bigger than themselves. They wanted to get more people involved and informed about their ideas and their potential, not just grow vegetable and make money. They achieved this through newspapers and journals articles and television spots, including a two-part series on the local Williston TV station. They gained publicity through tours of their gardens and speaking engagements.

Finally, they desired that their businesses be successful and profitable. Taking the steps in direct wholesale opened new opportunities for their business. They are currently facing the

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decision of downsizing their production and specializing in one or two vegetables, like onions and squash. They have been approached by several larger corporations, such as Nash Finch and Hugo's, who want to buy their produce. These corporations require standard packaging, which would prove to be very difficult for them given the wide variety of vegetables they produce. Additionally, they have expanded their work by creating a second business venture – Thunderbird Ranch Enterprise.

### **Thunderbird Ranch Enterprise**

Thunderbird Ranch Enterprise developed out of the farmers' market. Monica made her Thunderbird Ranch dressing for one of the Saturday afternoon markets. This was a personal recipe that she named after her family's ranch. Many of the customers requested her recipe, so Monica decided to bag the dry ingredients and sell the packets along with the produce.

Monica and Mary decided to join together in the Thunderbird Ranch products because of their heavy workload. They displayed the product at local trade shows in the Williston area, and sold almost all of their product. After these initial successes, they displayed the Thunderbird Ranch products at the Pride of Dakota shows, the North Dakota State Fair, and at various county fairs. Next, they plan to exhibit at wholesale shows in Rapid City, SD and at the Marketplace in Minneapolis, MN.

Initially they tried to use their own ingredients for the dry mixes. However, as they grew that plan became impossible, so they bought ingredients from other growers. They make every effort to promote North Dakota products in their mixes. For example, the lentils for the lentil soup are from AgroCore located in Ray, ND. They use barley from Minnesota and North Dakota and beans from eastern Montana and western North Dakota.

After they closed the farmers' market, the grocery store asked to sell the dressing. They make the dip and sell it in packages with the Nesson Valley Gardens produce. Today, the Thunderbird Ranch products are sold in 18 grocery stores, including two stores in Montana and one in Omaha, NE.

With the expansion of this business, Mary and Monica decided to protect themselves, their families' farms, and the Thunderbird Ranch business by becoming a limited liability company (LLC). They went through the process of finding an approved commercial kitchen for packaging. Mary and Monica received help from the NDSU Research Center in Williston, which allowed them to gain access to their new kitchen facility. They trademarked their logo for Thunderbird Ranch. The legal cost for becoming an LLC, trademarking their logo, and the packaging fees have been the biggest start up costs for this company.

### **Lessons Learned and Recommendations**

The three partners faced several challenges in their business. One challenge was the wind, which is a problem for crop producers in western North Dakota. Gusting winds drive the sandy loam soil into the fields where it can cut into the vegetable plants. This leaves the vegetables vulnerable to disease and infection. As a remedy, the partners found it important to use wind breaks made of plants like sunflowers.

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A second challenge faced by the partners was the labeling of their produce. They ordered labels designed with the Nesson Valley Gardens, Ray, ND logo so their customers could recognize their vegetables. However, the stickers required FDA approval to be placed on food products, and were therefore an added expense – about five cents per sticker. Thus, they decided not to reorder these stickers with their logo in the future.

When asked what they would say to someone interested in starting a similar project, Monica said, “We have learned so much, and we have a lot to learn. We are still on our learning curve. We are always pushing [for others] to use their extension people, use NDSU, and those people that are growing, and [also] check out the local markets.”

They stated that being willing to try different things had been important for them. They contacted NDSU and Dr. Ron Smith, NDSU Extension Horticulturist, for recommendations about tomatoes and pepper plants. Monica stated, “We don’t have to do all of that research, [it] has already been done for us, so why not use their research?”

Both Mary and Monica were willingly have their names, addresses, and e-mail addresses given to others who need help. They want to offer ideas to other people because there is much to learn and want to help in anyway they can.



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Photograph 1. Nesson Valley Gardens partners, Mary Schmidt, Ara Hartsoch, and Monica Hartsoch, Ray, ND.

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Photograph 2. Nesson Valley Gardens partners, Mary Schmidt, Ara Hartsoch, and Monica Hartsoch, Ray, ND.

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